

CIA uses 'double insulation' on its funds for students

By GEOFFREY GOULD
Of Our Washington Bureau

WASHINGTON — More than two years ago, a congressional committee inadvertently uncovered the Central Intelligence Agency's connection with one of five foundations named as pipelines for CIA money to student organizations.

The committee quickly backed off, but not before gaining an intriguing glimpse into how the CIA secretly spreads its millions into such areas of American society as The National Student Association, oldest and largest of nationwide student groups.

With this as a starting point and after canvassing other available sources, this picture emerges of how the intelligence agency has operated under the surface:

The evidence indicates that the CIA not only works through legitimate charitable foundations that agree to cooperate with it secretly, but also through dummy foundations of its own.

This method puts two layers of insulation between the CIA fountainhead and the eventual recipient: the dummy foundations apparently get money directly from the CIA, then give it in the form of grants to the cooperating foundations, which in turn grant the funds to the National Student Association and other groups the CIA wants to support. At least four other student groups, two of them international in scope, have now been named as recipients.

In August, 1964, a House small business subcommittee investigating tax-exempt foundations, headed by Rep. Wright Patman (D-Tex.), questioned Internal Revenue Service officials about the J. M. Kaplan Fund of New York.

During the public hearings Patman disclosed that CIA officials had told him the Kaplan fund had been a conduit for CIA funds in the early 1960s.

An associate says Patman was irked because the CIA "sent a flunky who didn't know anything" to talk to him privately about it, and had failed to provide information he wanted. Patman said in the hearing, "I feel they are trifling with me and I no longer have any obligation to them." Then he spread the CIA connection on the record.

Newspapers round the country editorialized indignantly about this CIA invasion of the private foundation field, but the incident was soon forgotten.

The scene now moves up to the present: the J. M. Kaplan Fund was one of five named by Ramparts magazine this week as pipelines for CIA funds to student organizations.

The others were the Independence Foundation of Boston, the Sidney and Esther Rabb Foundation of Boston, the San Jacinto Fund of Houston and the Foundation for Youth and Student Affairs.

A spokesman for the independence foundation told a reporter: "I have no information. I can give you nothing." Arthur A. Houghton, president of the New York Foundation for Youth, issued a long statement, in which one sentence obliquely hinted that he "cooperated with our government" and added, "that is my own affair."

The Rabb Foundation had no comment. Raymond Rubinow, secretary of the Kaplan Fund, said he had "no knowledge of any connection between the NSA and CIA funds."

As for the San Jacinto Foundation, an internal revenue serv-

ice official said "there isn't any such." No San Jacinto Fund or Foundation is listed in the Houston Telephone Directory.

The internal revenue service requires tax-exempt foundations to file form 990-A, a listing of income and disbursements.

This part of the return is available to the press and public. But the part that lists donors to the foundation is kept in a confidential file.

However, this newspaper's national service gained access to the list of donors to the J. M. Kaplan Fund from the mid-1950s through 1964. They are handwritten on an attachment to the forms and give the names with no identification or addresses.

In 1961 and for the next two years, eight "funds" and "trusts" began to show up as donors. Together they poured nearly \$1 million into the Kaplan fund over the three years.

Chairman Patman listed these same eight funds in his hearing, with their contributions over the three years, and ordered IRS officials to provide him with more information about them in a later executive session.

Committee sources and members of Congress who were at the closed session recall that it was CIA officials, not IRSN who gave the explanation. That information has not been released.

The eight funds are the Gottham Foundation, the Michigan Fund, the Price Fund, the Edsel Fund, the Andrew Hamilton Fund, the Borden Trust, the Beacon Fund and the Kentfield Fund.

Four of these were named in the Ramparts magazine article as CIA fronts. Ramparts had an added starter: the Tower Fund.

None of them are listed in the Manhattan phone book (where many foundations are located) or in available directories and cumulative lists of tax-exempt foundations compiled by the IRS.

The closest is a Michigan Funds Corp. of Detroit, which turned out to be an inactive association of life insurance agencies. Its president, James Day, said "we have nothing to do with students and nothing to do with the government in any way."

Asked if the corporation was getting any CIA money, Day said jokingly "I wish I was . . . I'd like to get back some of what I've given to the government over the years."

Because the IRS regards donor lists for foundations as confidential, it could not be verified that other foundations besides the Kaplan Fund had received "contributions" from some of the eight funds.

One odd discrepancy is that the Kaplan Fund made only two small grants to the National Student Association: \$350 in 1960 and \$2,500 in 1961.

If the eight "funds" are indeed CIA dummies, the question is raised where the rest of the nearly \$1 million went that they paid to the Kaplan Fund. Rubinow, the secretary, noted the small payments to NSA, but declined to discuss the other part of the question.

The Kaplan Fund over the years listed numerous donations to a wide range of charities, hospitals, colleges and other more obscure organizations. Some of the donations were substantial, but there is no reason or evidence as of now to conclude that they also might be getting CIA money.

The same thing is true of recipients, other than the NAS, of grants from the Independence Foundation of Boston.

But one other oddity turned up in the examination of the Independence Foundation returns on file at the IRS.

In 1962 the foundation gave a \$3,000 scholarship to Edward R. Garvey. Garvey at one time was president of the NAS. Garvey, now a student at the University of Wisconsin Law School, said, however, he never received any CIA money.